Committee on Health and Human Services

House Bill 2527

Tuesday, February 13 1:30pm

Hearing Room 546-S

Presented by Greggory Pfister

The Foundation for Government Accountability

Good afternoon, Chairman Hawkins and members of the committee.

My name is Gregg Pfister and I am with the Foundation for Government Accountability. The FGA is a 501c3 non-partisan think tank; we specialize in health and welfare policy, and we work with legislators from across the country to help strengthen local communities and protect families.

Today, I would like to start with a story that was featured on NBC Nightly News.

There is a middle-aged woman named Jenny, who suffers from Crohn's disease. While constantly worrying about managing her disease and its painful symptoms, she would undergo infusions at a local hospital where the bill was $40,000 per treatment, every 8 weeks, and she paid a $30 co-pay every visit. Even with generous insurance, the costs added up and the huge bills pushed premiums higher.

Under a program very similar to what is contained in HB 2527, Jenny switched to a provider that charges 90% less, and in return she gets paid $500 per visit and pays no copay. Same drug, same delivery, same frequency, but higher quality one-on-one care at a fraction of the cost.

The bill before you today, HB 2527, represents some of the best practices that we have observed in other states. It is similar to policy that exists in Arizona, Florida, Kentucky, Maine, Massachusetts, New Hampshire, and soon, here in Kansas for state employees.

When talking about healthcare, there are two consistent problems that consumers face: a lack of transparency and the incentive to shop around for the best deal from a provider. The vast majority of people find the whole process frustrating and confusing, because it is.

The unfortunate result is that consumers pay higher out of pocket expenses and contribute to the rising cost of healthcare by not rewarding innovation and lower cost options. Patients also face narrowing networks from provider consolidation that often exclude independent or smaller providers for non-quality related reasons.

In what other industry do consumers consider themselves well informed when they make a decision without understanding the price? A procedure like an MRI can have thousands of dollars of difference in price at different facilities within a couple of miles, even though they are using the same type of machine and the same technician. Where you park your car matters.

HB 2527 has three components.

The **first** is the "Right to Know" - Patients should be able to find out the estimated price ahead of time from their insurance plan and compare providers to find one that works for them.

The **second** is the "Right to Save" - Patients have the right to share in savings if they shop for a high-value provider.

The **third** is the "Right to Pick" - Patients have the right to access a high-value provider - whether that provider is in or out-of network.

Practically, what this looks like:
1. A doctor recommends a non-emergency medical service
2. A patient can call, go online, or use an app to find their best options and choose the best location at the best value
3. Then the patient can have their procedure at the location of their choice and cash in on the shared savings. If the patient chooses a high quality, lower cost provider below the average cost of a procedure, the patient gets to keep a percentage the savings - giving them "skin in the game."

Claims analysis by transparency companies estimate that in Kansas, about $9 billion of medical spending is shoppable.

Recent national polling found 8 out of 10 voters want to know the cost ahead of time, 7 out of 10 support rewarding patients for using a high-value provider, two key pieces of this bill.

The Virginia Department of Human Resource Management actually studied this program last year for their state employees and issued a report in November saying that shared savings programs "hold(s) great promise" and are "a valuable, no-risk tool for lowering costs without sacrificing quality." The state is projecting to save $4.5-$6 million a year. So, if it holds potential for public employees, and is no risk, why should it be denied to small businesses and individuals in your district now?

In Maine, the general assembly embraced this program and passed it unanimously through the legislature - extending it beyond state employees, to everyone. Plans are now on the market with

incentives a year ahead of schedule; in large part because 98% of insurers already have transparency tools; the problem is that only 2% of patients have every used them.

Earlier I mentioned the NBC Nightly News story about Jenny. Jenny lives in New Hampshire and based on her experience, she now regularly encourages her co-workers to use the shared savings program.

New Hampshire's tiny program has already resulted in:

$14+ million in savings;

$1.2+ million dollars in patient incentive payments (shared savings)

and they are just scratching the surface.

Thank you for your time, and I would happy to answer any questions you may have.